

1999-01 Performance Progress Report

For Quarter Ending June 2001

Agency 090

Office of State Treasurer

Mission

To manage the financial resources within our purview effectively and efficiently and to promote prudent financial practices in government.

Goal Invest short-term cash reserves for maximum prudent return.

Performance Measure Treasury and Trust Funds - Incremental value of active internal investment compared to overnight investment of all available funds.

Outcome	Fiscal Year 2000				Fiscal Year 2001			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				\$10,386				\$9,464
Actual				-\$5,502				3812
Date Measured								

Quarter 4 Comment

The incremental value of an active investment program is subject to wide variation due to the shape of the yield curve, the direction of interest rates, treasury cash flow patterns and investment strategies employed. The additional yield achieved during a declining interest rate environment will be significantly greater than that achieved during a rising interest rate environment. The incremental value during a period of rapidly rising rates may even be negative, as experienced during fiscal year 1995 and again in fiscal year 2000. However, over a market cycle, i.e., interest rates rising and then declining, the incremental value of an active investment program should be positive. Consequently, a more informative measure of the incremental value of an active investment program would be to look at it over several years. For example, since fiscal year 1994 the average pick-up in yield of an active investment program has been 55 basis points (0.55%), resulting in increased earnings of \$82.2 million.

Quarter 8 Comment

The incremental value of an active investment program is subject to wide variation due to the shape of the yield curve, the direction of interest rates, treasury cash flow patterns and investment strategies employed. The additional yield achieved during a declining interest rate environment will be significantly greater than that achieved during a rising interest rate environment. The incremental value during a period of rapidly rising rates may even be negative, as experienced during fiscal year 1995 and again in fiscal year 2000. However, over a market cycle, i.e., interest rate rising and then declining, the incremental value of an active investment program should be positive. Consequently, a more informative measure of the incremental value of an active investment program would be to look at it over several years. For example, since fiscal year 1994 the average pick-up in yield of an active investment program has been 50 basis points (.50%) resulting in increased earnings of \$86.0 million.

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Performance Measure	Local Government Investment Pool (LGIP)-Incremental value of LGIP compared to comparable privately managed money funds.							
	Fiscal Year 2000				Fiscal Year 2001			
Outcome	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				\$11,000				\$11,000
Actual				\$16,368				21212
Date Measured								
Quarter 4 Comment	There are a large number of privately managed money market funds with comparable investment guidelines to the LGIP. While local governments do not have statutory authority to invest operating funds in those funds due to the comparable nature of the investment guidelines, they are useful as performance benchmarks for the LGIP. The benchmark employed is the IBC Donoghue index of Government Only/Institutional Only Money Market Funds, a group of over100 funds. The outcome measure is the additional earnings the LGIP participants have achieved over that they would have received had they been in the average privately managed money fund.							
Quarter 8 Comment	There are a large number of privately managed money market funds with comparable investment guidelines to the LGIP. While local governments do not have statutory authority to invest operating funds in those funds due to the comparable nature of the investment guidelines, they are useful as performance benchmarks for the LGIP. The benchmark employed is the IBC Donoghue index of Government Only/Institutional Only Money Market Funds, a group of over 100 funds. The outcome measure is the additional earnings the LGIP participants have achieved over that they would have received had they been in the average privately managed money fund.							
Goal	Provide financing recommendations and operational services to the State Finance Committee to support the state's capital budget through efficient, low-cost borrowing,							

Performance Measure	General obligation bond rates as a percentage of the securities industry - Bond Buyer Index.							
	Fiscal Year 2000				Fiscal Year 2001			
Outcome	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				96%				96%
Actual				98.5%				97.7%
Date Measured								

Performance Measure	Bond refunding savings as a percentage of total bond issue.							
	Fiscal Year 2000				Fiscal Year 2001			
Outcome	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate				5%				5%
Actual				5%				9.2%
Date Measured								
Goal	Promote responsible financial practices to ensure the unimpeded inflow of moneys to the state's treasury accounts and the timely outflow of moneys to state and local governments, vendors, beneficiaries, claimants, and employees.							

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Performance Measure State payment transaction average cost.

Outcome	Fiscal Year 2000				Fiscal Year 2001			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate	\$0.1255	\$0.1255	\$0.1255	\$0.1255	\$0.1240	\$0.1240	\$0.1240	\$0.1240
Actual	\$0.1279	\$0.1271	.125	\$.125	.106	.1048	.104	.1048
Date Measured	9/30/1999	12/31/1999	3/31/2000					

Quarter 5 Comment

The new concentration bank account agreement has increased many of the fees. A new cost allocation model was run for wires/ACH, deposits, etc. reflecting salary increases, etc. since the last one was completed in fiscal year 1993.

Performance Measure State receipt transaction average cost.

Outcome	Fiscal Year 2000				Fiscal Year 2001			
	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 5</u>	<u>Quarter 6</u>	<u>Quarter 7</u>	<u>Quarter 8</u>
Estimate	\$0.05634	\$0.05634	\$0.05634	\$0.05634	\$0.05458	\$0.05458	\$0.05458	\$0.05458
Actual	\$0.05458	\$0.550	.0547	\$.055	.0687	.076	.0758	.079
Date Measured	9/30/1999	12/31/1999	3/31/2000					

Quarter 5 Comment

The new concentration bank account agreement has increased many of the fees. A new cost allocation model was run for wires/ACH, deposits, etc. reflecting salary increases, etc. since the last one was completed in fiscal year 1993.

Quarter 7 Comment

7th Quarter Performance Measure - 420 - State Receipt Transaction Average Cost corrected from .758 to .0758 on May 29, 2001.